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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000959

SIPDIS

E.O. 12958: DECL: 07/02/2023

TAGS: [PGOV](#) [PREL](#) [EAGR](#) [ETRD](#) [ECON](#) [CH](#) [TW](#)

SUBJECT: KMT INSIDER CANDIDLY DISCUSSES KMT POLITICS,
CROSS-STRAIT FLIGHTS, AND U.S.-TAIWAN RELATIONS

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

¶1. (C) Summary: Taoyuan County Magistrate Eric Chu (protect) suggested to the Director on July 2 that recent maneuverings by Legislative Speaker Wang Jin-pyng and other KMT leaders were part of the normal give and take of intra-party politics. In a free-wheeling discussion, this confidant of President Ma Ying-jeou described various problems and rivalries between Ma and other leaders. According to Chu, Ma has been "too nice and too conservative" in personnel appointments, not moving quickly enough to replace DPP political appointees. Although Ma has done well on cross-strait relations and handling the Diaoyutai (Senkaku) incident, the people's top issue is inflation. If the Ma administration can limit damage, adopt the right strategies, and outperform South Korea and Japan, then Ma will have the opportunity to be a very successful president, Chu predicted. He also noted Ma's strong commitment to the improvement of U.S.-Taiwan relations. The Director expressed our hope for an early opening of the market to imports of all U.S. beef products. End Summary.

Intra-party Maneuvering

¶2. (C) On July 2, Taoyuan County Magistrate Eric Chu (KMT) called on the Director for a candid discussion on KMT party politics. The Director asked about Legislative Yuan (LY) Speaker Wang Jin-pyng's recent political maneuverings. These included publication in the June 30 pro-Green "Liberty Times" of a lengthy interview in which Wang asserted a controversial role for the LY in negotiating and ratifying cross-Straits agreements. Chu characterized the Liberty Times interview as a "political gesture," adding that Wang has always hoped to become president some day. Six months before the March 22 presidential election, Chu confided, Wang had told him a fortune teller had said Ma Ying-jeou could not win the presidential election and would soon be dropped from the race because of his mayoral special funds case. The fortune teller had also said the KMT would nominate Wang for president, and Wang asked Chu whether he was interested in becoming vice president or premier. Chu advised Wang to keep supporting Ma unless a problem actually emerged.

¶3. (C) Chu suggested that political maneuverings by Wang and other KMT leaders were part of the normal give and take. Rather than an indication of intra-party tensions, they

should be viewed as efforts to balance power between Ma, Wang, Honorary Chairman Lien Chan, Chairman Wu Poh-hsiung and other leaders. Two weeks ago, he recalled, there was a "leak" alleging that Ma would resume his role as KMT chairman. This was followed later the same day by a story that he (Eric Chu), not Ma, would become chairman, and at midnight the Ma office announced that the stories were inaccurate. It was not until the next day, however, that Ma endorsed Wu Poh-hsiung's continuing as KMT chairman. Within the party, people have been asking why Ma didn't respond immediately when the story first emerged.

14. (C) Chu noted he had recently talked to former People First Party (PFP) Chairman James Soong. Soong criticized Ma for not including the PFP members he had recommended as Control Yuan (CY) nominees, claiming that Wu Poh-hsiung had promised to include the PFP choices. Chu, however, doubted that Ma would have made such a promise because Ma had told him the PFP was trying to bargain but had nothing to offer. Wang and Lien Chan were also a bit unhappy that Ma had not appointed more of their people to government posts. In fact, however, Ma had accepted two of Wang Jin-pyng's recommendations, and he had placed several of Lien Chan's followers in government corporation positions, for example, as head of the Taiwan tobacco and liquor company. Despite complaints by Lien that Ma had not done enough for him, Ma had already found slots for 17 of Lien's people. Chu added that he maintains a good relationship with Lien, who would expect him to pass his views on to Ma.

15. (C) So far, Chu said, Ma has taken a conservative

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approach to appointments, for example, taking only 18 of his own staff members to the presidential office. Ma has left a number of President Chen's appointees in place in important positions, and does not plan to change them until August. Chu added that Ma sent him five of his staff members for placement in Taoyuan County government positions. Ma is "too nice and too conservative," Chu observed, explaining that Ma has not taken his advice to replace the DPP political appointees in Taiwan's overseas representative offices. Up to now, he added, only five of ten highly partisan DPP overseas representatives have resigned.

Inflation is the Top Issue

16. (C) Ma has thus far done relatively well on cross-Strait relations and handling of the Diaoyutai (Senkaku) issue. However, the people's top concern is inflation, followed by the slumping stock market. Ma faces a challenge, but also has an opportunity. The current situation is reminiscent of the Asian Financial Crisis of 1997-98, and now South Korea, Japan, and even China have more serious problems than Taiwan.

If the government can limit damage and adopt effective policies and strategies, then the people will see that Taiwan is doing better than South Korea and Japan in terms of growth rate and inflation. Ma has the opportunity to be a very successful president. However, Premier Liu Chao-shiuan, who has a strong personality, needs to be more gentle and mild in his interactions with the LY.

17. (C) According to Chu, Ma appointed Liu Chao-shiuan as premier at the insistence of Vice President Vincent Siew. Siew had strongly resisted the alternative, P.K. Chiang, who wanted to become premier. "Even people in their 70s want to hold on to power," Chu observed, explaining that he shared Ma's view that at age 75, P.K. Chiang would not have been an appropriate choice for premier.

Beef

18. (C) Noting the depth of experience in the new cabinet, the Director expressed hope this would help with efforts to

open Taiwan's market to imports of U.S. bone-in beef. It would be helpful, the Director suggested, if the Department of Health could use the results of the previous government's studies of the issue to show the public that the U.S. beef products meet OIE standards. Chu responded that he did not think opening the market to U.S. bone-in beef would pose a serious problem politically to the government, adding that the circumstances in South Korea were quite different.

U.S.-Taiwan Relations

¶9. (C) President Ma and NSC Secretary General Su Chi are very friendly to the U.S., more so than Wu Poh-hsiung, Lien Chan, and James Soong, Chu suggested. This friendliness is one reason Ma publicly announced his desire to visit the U.S. before his inauguration on May 20. Another reason for Ma's announcement was to block other KMT leaders from suggesting he should visit China prior to the inauguration. The Director explained that Ma's going public with his wish to visit Washington had put the U.S. in a difficult position.

Cross-Strait Flights

¶10. (C) Noting Ma's concerns about Lien Chan's agenda with the Chinese, Chu said Ma does not want his own friends, himself included, to be visiting China. This has caused a problem between Ma and Taichung Mayor Jason Hu, who plans to fly to China on the inaugural July 4 weekend charter flight from Taichung. Chu traced the recent differences between Ma and Hu to a misunderstanding over Hu's career. Ma's view was that KMT mayors and magistrates should not leave their current positions to join the central government. However, Hu wanted to become Presidential Office Secretary General, perhaps for health reasons. Because VP Vincent Siew

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expressed support, Hu thought he had Ma's backing when in fact he did not. Chu added that if P.K. Chiang had been named premier, Jason Hu would have been okay in the presidential office. However, Jason Hu does not get along with Liu Chao-shiuan.

¶11. (C) Chu predicted that Taoyuan will become the main airport for cross-Strait flights, because of onward connections and the airport's size and capabilities. Flying to isolated airports is not effective economically. Although Taipei's Sungshan Airport is too small, it is all right for now. However, the lack of onward connections means its only function will be for cross-Strait flights. When the Metro link from Taipei to Taoyuan Airport is opened, the Sungshan Airport should be shut down and converted into a top tier residential, commercial, and central park area, Chu maintained. Chu said he did not plan to go to the Taoyuan Airport for the inaugural weekend cross-Strait charter flights on July 4, as that would be a "political gesture." Chu also explained that after entering politics, he has not traveled to China for the past ten years and has no plans to do so.

Comment

¶12. (C) Just 47, Eric Chu is a rising political star, and a potential KMT candidate for president in 2016. Chu has a successful record as Taoyuan County Magistrate, in part because the county has boomed economically, and his second term expires at the end of 2009. At that point, one possible option for him would be to take up a senior position in the government. Chu is the son of a mainlander father and Taiwanese mother. Like Ma Ying-jeou, he may want to keep his distance from China so that in future elections, his opponents will be unable to tarnish him as a mainlander who might "sell out" Taiwan to Beijing.

YOUNG